



ENTERED  
06/13/2007

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

<b>In re:</b>	§	
	§	
<b>BLAST ENERGY SERVICES, INC.</b>	§	<b>CASE NO. 07-30424-H4-11</b>
	§	
<b>EAGLE DOMESTIC DRILLING OPERATIONS, L.L.C.,</b>	§	<b>CASE NO. 07-30426-H4-11</b>
	§	
<b>Debtors</b>	§	<b>Jointly Administered Chapter 11</b>
	§	<b>Under Case No. 07-30424-H4-11</b>

**ORDER HOLDING SADDLE CREEK ENERGY DEVELOPMENT, L.P. IN  
CONTEMPT OF THIS COURT'S ORDER GRANTING DEBTORS' EMERGENCY  
MOTION FOR *SUA SPONTE* ORDER ENFORCING COMPROMISE OF  
CONTROVERSIES, FOR JUDGMENT AND FOR SANCTIONS**  
[Docket No. 484]

On June 6, 2007, the Court issued an Order Granting Debtors' Emergency Motion for *Sua Sponte* Order Enforcing Compromise of Controversies, For Judgment and For Sanctions (the Order Enforcing Compromise). [Docket No. 484.]<sup>1</sup> The Order Enforcing Compromise ordered Saddle Creek Energy Development L.P. (Saddle Creek) to comply with the terms of the Mediation Settlement Agreement. The Order Enforcing Compromise, among other things, expressly required that: (1) Saddle Creek immediately comply with each and every one of its obligations stated in the Mediation Settlement Agreement; and (2) Charles Chandler Davis (Mr. Davis), the Chairman of Saddle Creek, personally deliver to the Court at 1:00 p.m. on June 11, 2007 a cashier's check in the amount of \$680,000.00 made payable to the order of Eagle.<sup>2</sup> [Docket No. 484.]

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<sup>1</sup> The Findings of Fact and Conclusions of Law relating to the Order Enforcing Compromise were entered on the docket on June 7, 2007. [Docket No. 492.]

<sup>2</sup> The \$680,000.00 represents the \$675,000.00 due under the Mediation Settlement Agreement, plus \$5,000.00 in attorneys' fees awarded by this Court for fees incurred by the Debtors in prosecuting their motion to enforce.

On June 11, 2007, the Court held a hearing pursuant to the Order Enforcing Compromise. Mr. Davis appeared, together with his counsel, Michael Whitten, but Mr. Davis failed to bring with him a \$680,000.00 check from Saddle Creek. Because Saddle Creek failed to comply with the terms of the Order Enforcing Compromise, this Court finds that Saddle Creek is in contempt of the Order Enforcing Compromise. The Fifth Circuit has held that bankruptcy courts have civil contempt powers to enforce their own orders. *Placid Refining Co. v. Terrebonne Fuel & Lube Inc. (In re Terrebonne Fuel & Lube Inc.)*, 108 F.3d 609, 612-13 (5th Cir. 1997). Therefore, this Court, in order to—using the Fifth Circuit’s words in *Terrebonne*—“coerce compliance” with the Order Enforcing Compromise, issues this Order.

Accordingly, it is therefore:

ORDERED that for each day that Saddle Creek does not comply with the Order Enforcing Compromise by paying the \$680,000.00 to Eagle, Saddle Creek shall be liable for the following daily amounts: \$150 for each of these three days: June 12, 13, and 14;<sup>3</sup> \$300 for each of these three days: June 15, 16, and 17; \$600 for each of these three days: June 18, 19, and 20; and the amount will continue to double every three days until Saddle Creek complies with the Order Enforcing Compromise. Saddle Creek shall be liable for these daily amounts in addition to the \$680,000.00 due to Eagle under the Order Enforcing Compromise; and it is further

ORDERED that on Tuesday, June 19, 2007 at 9:00 a.m., Charles Chandler Davis, the Chairman of Saddle Creek, shall appear in person in Courtroom 600, Bob Casey Federal Courthouse,

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<sup>3</sup> The Court arrived at this initial daily amount as follows: (1) the current prime rate is 8.25%; (2) 8.25% times \$680,000.00 equals \$56,100.00; and (3) \$56,100 divided by 365 days equals \$153.70, representing the per diem interest on the \$680,000.00. For the purpose of convenience, the Court then rounded the per diem amount of \$153.70 down to \$150.00.

515 Rusk St., Houston, TX. At this hearing Mr. Davis shall report whether or not Saddle Creek has complied with the Order Enforcing Compromise; and it is further

**ORDERED that if Charles Chandler Davis fails to appear in person at the hearing on June 19, 2007, then this Court will issue a bench warrant directing the U.S. Marshal to take Mr. Davis into custody and produce him in this Court, and civil contempt may be brought against him with the possibility of incarceration or money sanctions;**

ORDERED that Mynde Eisen and Ferdinand Cribbs, counsel for Saddle Creek, shall also appear at the hearing on June 19; and it is further

ORDERED that Michael Whitten, counsel for Mr. Davis, shall also appear at the hearing on June 19; and it is further

ORDERED that if, by June 19, 2007, Saddle Creek has still failed to comply with the terms of the Order Enforcing Compromise, the Court will decide whether to appoint a receiver for Saddle Creek in order that this entity purges itself of the contempt of the Order Enforcing Compromise; and it is further

ORDERED that if, by June 19, 2007, Saddle Creek has still failed to comply with the terms of the Order Enforcing Compromise, this Court will also decide whether it will issue a bench warrant directing the U.S. Marshal to take Mr. Davis, in his capacity as Chairman of Saddle Creek, into custody for Saddle Creek's civil contempt until such time as Saddle Creek purges itself of the contempt of the Order Enforcing Compromise; and it is further

ORDERED that the parties may submit any briefing on any of the issues raised herein by no later than 5:00 p.m. on Monday, June 18, 2007; and it is further

ORDERED that the Clerk of Court shall send a copy of this Order to Charles Chandler Davis by regular first-class mail, at the following address:

Charles Chandler Davis  
6910 F.M. 1830  
Argyle, TX 76226

It is further ORDERED that the Clerk of Court shall send a copy of this Order to counsel for Charles Chandler Davis, Michael J. Whitten, via telefax at number (940) 898-0196; and it is further

It is further ORDERED that the Clerk of Court shall send a copy of this Order by telefax to counsel for Saddle Creek, Mynde Eisen and Ferdinand Cribbs, at the numbers set forth below:

Mynde Eisen  
Telefax: (713) 266-3008

Ferdinand Cribbs  
Telefax: (713) 229-8824

Signed on this 12th day of June, 2007.

A handwritten signature in black ink, appearing to read 'Jeff Bohm', written over a horizontal line.

Jeff Bohm  
U.S. Bankruptcy Judge

SENDING REPORT

Jun. 13 2007 09:06AM

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